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EXTERNAL AFFAIRS AND DEFENCE

Britain's Foreign Policy

Self-determination for the Falkland Islanders, the Israeli invasion of Lebanon, the situation in Poland, peace and disarmament were among the topics discussed by the Foreign and Commonwealth Secretary, Mr Francis Pym, in a speech to the United Nations General Assembly on 29 September.

Mr Pym began by paying tribute to the Secretary-General, Mr Perez de Cuellar, who had shown 'admirable flair and discretion in discharging his responsibilities' and had brought the organisation much credit. Noting that the United Nations existed to maintain peace, develop friendly relations between states, and promote social and economic progress and respect for human rights and fundamental freedoms, the Foreign Secretary said that it was necessary to assess how far these purposes had been achieved and to examine the problems facing the world community.

World Peace

Mr Pym said that the world was no more peaceful than it had been a year ago for several new conflicts had arisen and old ones had worsened. Since the 1981 General Assembly thousands of lives had been lost and hundreds of thousands had been forced from their homes to swell the growing flood of refugees. The fault for such misery and waste lay with the member states of the United Nations and not the United Nations system as such. The Charter remained as valid today as when it was drawn up almost 40 years ago. Nor did the fault lie in the way in which the organs of the United Nations were constituted. The system could not perform the tasks given to it by the founders when there was so widespread a tendency for member states to flout obligations assumed under the Charter. Wars arose because national ambitions and rivalries proved stronger than respect for the principles of international law and the United Nations Charter.

Pointing out that Article 2 of the Charter required the settling of disputes by peaceful means, the Foreign Secretary emphasised that neither the existence of a dispute nor the failure of a procedure to settle it peacefully could justify the use of force by any of the parties to it: 'Otherwise in a world where there are such disparities between nations, the strong will inevitably batten on the weak and we shall all be subject to the law of the jungle.'

Human Rights

Mr Pym said that a second basic principle of the United Nations was respect for human rights – 'entrenched since 1948 in the Universal Declaration to which we all subscribe'. It was, however, far harder to ensure that the Declaration's provisions were observed, since in many countries both its spirit and letter were persistently and deliberately ignored. Although in recent years the United Nations had made some limited progress in developing its ability to respond to such situations, its responses were all too often 'pitifully inadequate'.

Self-Determination

Another basic principle of the Charter was self-determination, which the United Nations had long since come to regard not just as a principle but an inalienable right. Self-determination was 'fundamental to British foreign policy', and as a consequence nearly 50 members had taken their place in the United Nations following Britain's recognition of this right in regard to its dependencies. The Foreign Secretary continued: 'Never in the whole history of the world has there been such a massive transfer of power, voluntarily and deliberately undertaken. The legacy of our imperial past is not bitterness or suspicion, but friendship and co-operation.'

Britain's achievements in decolonisation had been the expression and application of a principle long supported elsewhere, Mr Pym pointed out. 'To take one example, early in the nineteenth century, Britain recognised the struggle of the newly emerging Latin American nations for independence . . . We were among the first to realise the justice of their aspirations,[1] and we laid a basis of friendship and mutual respect which has persisted to this day. The example of Latin America showed the world that respect for self-determination was the right and natural way to discharge colonial responsibilities.' Noting that 1983 was the bicentenary of Simon Bolivar, Mr Pym paid tribute to him and to the nations which he had brought to birth. Britain's relations with the countries of Latin America had been and remained of great importance.

The Falkland Islands

Turning to the question of the Falkland Islands and their invasion by Argentina (see pp 105-12),

[1]For further information, see COI reference paper, *Britain and the Latin American Independence Movements*, No 184/82.

the Foreign Secretary said that in 1982 Britain had been involved in a major conflict which it and fellow members of the Security Council had tried strenuously to avoid. The efforts of the United Nations to achieve a peaceful settlement had had the full support of the British Government but had failed because of Argentine obduracy. In the campaign to repossess the Islands the British Government had taken 'immense care to act strictly within the framework of the UN Charter' and the force used in exercise of self-defence under Article 51 of the Charter had been 'the minimum necessary to remove Argentina's occupying forces'. Britain had shown that it would not be deflected from its determination to implement to the full its obligations towards the populations of its dependent territories. Mr Pym added: 'By liberating the people of the Falkland Islands from alien domination, we were also standing up for the right of a small but authentic people to determine how they should be governed and how they should live.' Britain had proved that aggression did not pay.

The Argentine invasion, continued Mr Pym, had taken place when negotiations in good faith were in progress between Britain and Argentina. This flagrant violation of the principles of non-use of force and peaceful settlement of disputes had radically altered the situation. 'It will be very difficult indeed to revive our confidence in Argentine intentions. It will take a long time. Why, even now, has Argentina not accepted the definitive cessation of the hostilities which she so mistakenly initiated? Is it not for Argentina to prove that she has renounced any thought of using force? Is it not for Argentina to demonstrate respect for the right to self-determination, including the right of the Falklanders? Will Argentina now abide by the principles of the United Nations and the precepts of international law? These are questions which must be answered if confidence is to be rebuilt.'

Middle East

The Foreign Secretary said that the Israeli invasion of Lebanon (see p 316) had been 'horrifyingly destructive' and had taken 'a terrible toll of innocent life'. Although Israel had legitimate security concerns 'the operation undertaken against Lebanon went far beyond the requirements of Israeli security and was pursued in defiance of the explicit demands of the Security Council'. Force had been used 'disproportionately and relentlessly' and the Lebanese people and Palestinian civilians had paid a cruel price. At the heart of the issue, continued Mr Pym, was 'the Palestinian people's right to self-determination and their aspiration for a land of their own in the West Bank and Gaza'. Only by reconciling that right with Israel's right to a peaceful existence within its own borders could there be a lasting end to this appalling conflict. He believed that a significant proportion of people in Israel and the Arab world were now convinced that war was not the answer and were prepared to compromise for peace. 'Experience does not encourage us here, but the proposals put forward by President Reagan and by the Arab heads of State [see p 285] have created a new opportunity and a new outlook for negotiations, which none of us can afford to see wasted. The choice lies with the peoples of the region, but they are going to want and to need all the help the rest of us can give them.'

Commenting on the conflict between Iran and Iraq (see pp 290-2, 1980), Mr Pym said: 'It has seriously endangered the stability of a crucial region of the world vital to the interests of many countries outside. Surely by now both sides must accept that further conflict is fruitless. As so often in war, both sides have been the losers. To prolong the conflict will only increase the suffering of their own peoples'.[1]

Afghanistan

Mr Pym recalled that nearly three years had passed since the Soviet Union had mounted its massive military invasion of Afghanistan (see pp 355-6, 1980). Although the General Assembly had three times called for the self-determination of the Afghan people to be respected, these requests had been cynically ignored by the Soviet Union. No-one knew the numbers of people killed or the number of villages disrupted, for all these facts had been suppressed. Some 3 million refugees had fled Afghanistan, imposing an enormous burden on neighbouring countries, and Pakistan's generous handling of the problem deserved admiration. The Afghan people also continued to resist the imposition by Soviet arms of a regime they did not want.

Cambodia

On Cambodia Mr Pym said that an unrepresentative regime was being kept in power by the armed forces of Vietnam which had imposed it by military invasion more than three years ago. Britain had wholeheartedly supported all the efforts of the United Nations and the Association of South-East Asian Nations to move the Vietnamese from their insistence on maintaining by force a regime in Cambodia to suit their interests, but these had so far failed (see pp 223-4, 1981). The recent formation of a coalition of Cambodian resistance forces could prove a significant step towards a comprehensive political solution based on self-determination, and Britain wished it well.[2] Mr Pym added: 'As in the case of Afghanistan, Britain will continue to work with every other freedom-loving country for a just solution to this dispute and to ensure that these continuing injustices are not forgotten.'

Poland

Turning to the situation in Poland (see pp 7-12), Mr Pym said that a year ago 'the Polish people

[1]On 4 October the Security Council adopted unanimously a resolution requesting an immediate ceasefire and an end to all military operations by Iran and Iraq, reaffirming its call for a withdrawal of forces to internationally recognised boundaries, affirming the need to dispatch United Nations observers to verify, confirm and supervise a ceasefire and withdrawal, and reaffirming its request to all other member states to abstain from any action which could contribute to the continuation of the conflict. Iran boycotted the proceedings at the Security Council.

[2]In June 1982 a coalition was formed representing the three main Cambodian political groups opposed to the Vietnamese-backed Heng Samrin regime.

were seeking peacefully to liberalise and reform their society under a regime that was originally imposed on them from outside ... with no consultation and no reference to their rights of self-determination'. Since then, with the full support and encouragement of the Soviet Union, the Polish regime had taken deliberate steps to crush the hopes of the people for a freer and a juster society. 'No freedom-loving person, no true democrat, no-one with any feeling for human rights, can fail to be concerned that a wave of oppression has once again swept across this long-suffering country and its valiant and noble people'. Britain would continue 'to call on the Polish authorities to fulfil their undertaking to return to the path of renewal and reform' and 'to urge and press the Soviet Union to allow the peoples under [its] tutelage to develop in ways more in accordance with their natural traditions and aspirations, and in accordance with the principles of the United Nations Charter'.

Namibia

In one of the world's major disputes, Namibia, progress had been made towards a settlement based on a Security Council resolution (see pp 152-4, 1979) and Britain, Mr Pym noted, had been able to contribute to this. 'Although it is premature to assume that the many obstacles in the path of Namibian independence will all be overcome, it is not ... too much to hope that the people of Namibia may soon have the opportunity to determine their own future, and to do so in elections held under United Nations supervision. If a solution can be achieved in this way in Namibia, it will indeed be a success to chalk up for persistent and patient diplomacy backed by the United Nations.' A settlement in Namibia, if it could be added to that in Zimbabwe (see p 155, 1980), 'would provide further proof that the complex problems of that troubled region of Africa [could] be solved through peaceful means rather than conflict and violence'. There was no need for further lives to be lost and Britain also hoped for 'peaceful evolution within South Africa itself and the emergence there of a form of government based on the consent of the South African people as a whole'.

Disarmament

Referring to disarmament Mr Pym said: 'The British Government remain fully committed to the pursuit of realistic, balanced and verifiable arms control and disarmament measures, in both nuclear and conventional forces, which will promote peace with freedom, and security at lesser cost.' The Second Special Session on Disarmament (see pp 233-6) had been a forum for stimulus and review and not negotiation. The straight talking and hard work had to be done in the negotiations taking place elsewhere on strategic arms, intermediate-range nuclear forces, mutual and balanced force reductions, and chemical weapons. Mr Pym pointed out that Britain's principal purpose was peace. 'In the absence of a world-wide will for peace, it can only be achieved if each and every member of the international community respects the principles of the United Nations Charter. All members of the United Nations bear a heavy responsibility to remember that it is an organisation designed to preserve the peace. To use it as a forum for ideological rhetoric is to undermine the respect in which it should be held and to diminish its capacity to fulfil its purpose.'

International Economic Co-operation

Noting that the United Nations had rightly involved itself in such questions as agricultural productivity, energy, food programmes and population control, Mr Pym pointed out that Britain also attached great importance to these issues and to international economic matters such as the role of the financial institutions and the avoidance of protectionism and trade wars (see p 325). The problems of barely visible growth, inflation and rising unemployment were serious for developed countries but could be devastating for developing countries. It was therefore 'more than ever in the mutual interest of developed and developing countries to pull together'. Renewed stable growth in the world economy, the balanced and reciprocal development of world trade, the social and economic well-being of the developing countries, especially the low income countries, were in the general and the particular interest alike. Britain's conviction that current problems needed to be tackled positively was underlined by its strong support for the International Development Association and the recent release of a third instalment for the Association's Sixth Replenishment (see p 291); its continued support for an open world trading system; its resistance to protectionist pressures; and its maintenance of a high level of official development assistance and essential private capital flows.

Terrorism

Commenting on the need to root out terrorism, the Foreign Secretary said that terrorists discredited the causes for which they claimed to work, and that the international community should unite in condemning them and bringing them to justice. He therefore urged all those who had not already done so to sign and ratify the Hague, Montreal and Tokyo Conventions concerning the safety of civil aviation, and the United Nations Conventions against the taking of hostages and on crimes against internationally protected persons.

Britain, Europe and the World

Britain's support for the North Atlantic Treaty Organisation (NATO) and the European Community was emphasised by the Foreign and Commonwealth Secretary, Mr Francis Pym, in a speech to the Anglo-Danish Society in Copenhagen on 10 September.

Western Defence

Mr Pym said that Britain and Denmark needed to guarantee their security, without which they could

not enjoy the freedom, prosperity and peace to which they had become accustomed. In this regard NATO had been a success, since for over 30 years Western Europe and North America had been free of both conventional and nuclear war. Looking to the future, Mr Pym said: 'We must see to it that the Alliance continues to combine . . . the military strength necessary to deter aggression and the political strength inherent in a free association of democracies.'

The link between North America and Western Europe, continued Mr Pym, was of crucial importance. Although for the past 40 years the people and Government of the United States had 'come to consider the defence of Western Europe indispensable to the defence of America itself', it could not be assumed that such a conviction would never be undermined. 'Anti-European feelings do exist in America, just as anti-American feelings exist in Western Europe.' Expressing the hope that United States political leaders would play their part in explaining to their people the importance of the transatlantic partnership and that they would always take account of European views in the formulation, conduct and presentation of policy, Mr Pym said that the effort had to be a joint one. 'We in Europe must take our full share of the responsibility and must be seen to be doing so. And this share is not that of a minor partner. Western Europe is now both absolutely and relatively much richer than it was when the Alliance was founded: and our influence in the world, as members of a successful and united Community, is the greater.'

Noting that certain sections of United States opinion considered that European members of the Alliance were bearing less than their fair share of the burden, the Foreign Secretary said that some of the more alarmist statements of this kind were based on ignorance of the contribution actually made by Western Europe. European member states of NATO were therefore 'actively seeking better ways of presenting the facts in the United States'.

Mr Pym said that different members of the Alliance contributed different percentages of their gross national product to defence.[1] 'The fact that a large majority of members of the Alliance are not nuclear powers . . . perhaps contributes to the attitude that the contributions of the smaller members of the Alliance are less important than those of the larger. Nothing could be further from the truth. All contributions are crucial to the whole because the heart of the matter is that NATO exists to protect the lives and the liberties of the people of all its member countries. The individual Luxembourger weighs as much in this scale as the individual American and it is fundamental to us and to our values that this should be so. It is equally fundamental to the success of the Alliance that their individual contributions should be on a par, in the sense that each gives his appropriate share to the common end.'

[1]In 1981 Britain contributed 4·9 per cent of its gross domestic product to defence spending, third in NATO after the United States and Greece; the average for NATO's European members was 3·7 per cent. Britain has consistently spent a higher proportion of its defence budget on new equipment than any other NATO member (see also pp 223-31).

Observing that peace could not be had on the cheap and that it had to be worked for and paid for, Mr Pym emphasised that members of the Alliance had to demonstrate their readiness to do what was necessary in their common defence. Resources were, however, not unlimited and he favoured the reduction of duplication and the rationalisation of weapon systems. Although this presented difficulties it would be foolish to assume that the sensible objective of a more cost-effective defence was beyond NATO members.

On nuclear weapons Mr Pym said that perhaps the best single contribution that NATO could make towards reducing the danger of nuclear war would be to strengthen its conventional forces. 'As long as NATO's conventional forces remain markedly inferior to those of the Warsaw Pact then the nuclear threshold, the moment at which NATO would be forced to use nuclear weapons to avoid defeat, is lowered. But if our conventional forces could be made strong enough to hold off a Warsaw Pact attack without nuclear support then the danger of nuclear war – and indeed any war – would be greatly diminished.'

European Community

The Foreign Secretary said that the European Community was based on the principle that member states could further their economic and political interests to a much greater extent by joint action and co-operation than if each acted separately. The present British Government was determined to contribute to the success of the Community as a whole and its commitment to the Community remained strong.

Noting that there were differences between member states, Mr Pym said that the issues the Community had to deal with were complex and controversial and that disagreements were as natural in the Community as in domestic politics. Compromise had to be found among member states and argument was an essential part of the process.

Britain and Denmark, Mr Pym continued, had joined the Community at an awkward time, for the decade after the 1973 oil crisis had been very difficult. 'In circumstances where every percentage point of growth has to be fought for, and where the unemployment statistics throw an increasingly dark shadow, it is not surprising that the development of the Community has proved a difficult and often frustrating task. But this is not the fault of the Community . . . . The principle that joint action is better than separate action remains valid.' Although Britain wanted to build upon the achievements of the past, Mr Pym warned that 'what best suited a Community of six in the early days of its existence may not necessarily be right for a Community of twelve in the 1980s'. Each member state knew that a successful Community had to be dynamic and responsive.

The Budget Problem

The Foreign Secretary said that since the Community's budget had direct financial effects on all member states it was essential for the health of the Community that all its citizens should feel that it gave them a fair deal. 'The impact of the

present budgetary arrangements, with the heavy predominance of agricultural expenditure leaving Britain and [the Federal Republic of] Germany as the only net contributors, is not fair.' Without present special and temporary corrective arrangements (see pp 193-5), Britain's net contribution would have been not far short of its official aid programme to developing countries.[1] The fact was that the benefits of Britain's net budget contribution, which was real money flowing out of the country, went primarily to more prosperous countries. The main reason for this situation was that the major part of the Community budget still went to agricultural support. Since Britain's very efficient agriculture accounted for only a relatively small share of Community agricultural expenditure programmes, the British people benefited less than the people of any other member state and on top of that paid more towards the Community budget. 'It is not possible to argue that that is a fair arrangement.'

Responding to the allegation that Britain was trying to change rules which it had accepted on joining the Community, Mr Pym pointed out that Britain had been assured by the then six member states that if an unacceptable situation arose concerning the budget, a solution would be found, that agricultural expenditure would steadily diminish as a proportion of the Community budget, and that there would be new policies and new expenditure on programmes where it could expect to secure a more favourable share. Unfortunately, this did not happen and the burden placed on Britain became unacceptable, as was recognised by the May 1980 agreement (see pp 181-4, 1980). The problem however was not only a budgetary one. 'There is a strong and more general feeling in the Community that we must develop our policies in other fields too, and that the continuing dominance of agriculture in the Community spending is not in its best interests.'

Britain, emphasised Mr Pym, did not oppose the Common Agricultural Policy. Although the British Government criticised the production of uneconomic surpluses, it valued the benefits of the Policy such as security of food supply, and it respected its basic principles. 'It is the disproportionate share of Community resources taken up by agriculture which we criticise, because that imbalance is unsound in principle [and] inhibits the development of the Community in other spheres.'[2]

Another charge made against Britain, said Mr Pym, was that it had failed to adapt its patterns of trade to Community membership. This, too, was wide of the mark for the proportion of Britain's general trade done with the other members of the Community had increased faster than that of any other member state (from about 30 per cent before accession to over 40 per cent now). Some 70 per cent of Britain's meat imports came from the Community compared with 45 per cent when it joined, and the Community share of cheese imports had risen from 40 per cent to 90 per cent. Overall some 45 per cent of British agricultural imports came from other member states, a figure close to the Community average. In short, commented Mr Pym, Britain was very fully integrated into the Community and was keen to develop it further. More needed to be done on regional and social policies to help those suffering most from the recession; there were no major common policies in the industrial field; the internal common market was still far from complete, especially in the services sector; more could be done to build on agreed principles for the development of an energy strategy; and member states needed to exploit more fully economies of scale if they were to compete effectively with the United States and Japan. Progress could not be achieved, however, while the major questions affecting the Community's financial system remained unresolved. The continuing failure to find a lasting solution to the budget problem weakened the Community, prolonged internal dispute, sapped political will and diverted member states from the real issues of the decade. Referring to a suggestion that the time was now right for a thoroughgoing review of Community finances, Mr Pym stressed that a budget solution could not await the outcome of such a review. In any case a review would have to be conducted without preconceptions and could not be based on the assumption that resources should necessarily be increased.

The Wider World

The Foreign Secretary emphasised the need to spread peace, prosperity and respect for human rights to the wider world. The European Community could not hope to be an island of prosperity in an economically depressed world and NATO could not expect to survive as an island of peace in a world in turmoil. 'There is thus an argument, soundly based on national interest, for rich and stable countries such as ours to work for a world in which these advantages are spread more widely.' There were also good moral reasons for so doing, the Western democracies having no reason to be embarrassed by the introduction of such considerations in a discussion of foreign policy. Membership of NATO and the Community gave the extra strength and security to make a more effective contribution.

On political co-operation among Community member states (see pp 326-7, 1981), Mr Pym said that it had developed sensibly and pragmatically and he welcomed the absence of unnecessary formality and bureaucracy. At the same time the progress made in harmonising foreign policy had found little reflection in the structures through which that policy was conducted. 'There may well be ways in which the current *ad hoc* co-operation among the [ten member states] in third countries could be made more systematic. There may be opportunities for pooling facilities, for joint use of administrative and other support services or for sharing tasks. The possibilities seem to me well worth exploring.'

[1]Without refunds Britain would have transferred to other Community members some £2,500 million in the years 1980 to 1982.

[2]Expenditure on the Common Agricultural Policy accounts for about 62 per cent of the Community budget, while regional policy takes 4·9 per cent, social policy 4·1 per cent, aid to developing countries 3·7 per cent, and projects concerned with research, energy, industry and transport 1·9 per cent.

East-West Relations

Turning to problems facing the world, Mr Pym said that progress was needed in East-West relations, where confidence had been seriously undermined by the Soviet Union's treatment of dissidents, its invasion of Afghanistan, and the evident pressure brought to bear on Poland. The mounting evidence of the extent of the Soviet military build-up was another major factor. Moreover, the Vienna negotiations on mutual and balanced force reductions and the Madrid discussions on security and co-operation in Europe had increased doubts about Soviet intentions. 'It certainly does not inspire confidence if one's negotiating partner appears needlessly to frustrate agreement on the basic data about what each side currently has.'

Mr Pym pointed to several steps that the Soviet leaders could take without in any way putting their security at risk. He wanted them to accept the need for a negotiated settlement in Afghanistan (see pp 201-2, 1981) and adapt their policies accordingly; recognise that a degree of relaxation and diversity in Eastern Europe was more likely in the long run to contribute to the security of the Soviet Union than the present harsh policies of repression (see pp 67-9); do likewise in the internal field where repression, by stifling initiative and talent, represented a serious obstacle to Soviet economic and social development; and take the small steps in the disarmament field to start building up confidence in practical ways (see pp 231-6). If the Soviet leaders were to pick up these ideas, even if they moved cautiously at first, 'they would do much to restore the international reputation of the Soviet Union and ... would have an immediate and positive impact on relations between East and West'.

World Economy

The Foreign Secretary said that events in recent months had brought home the exceptional difficulties and dangers of the present world economic situation. Economic activity and trade were stagnant and a tenth of the labour force in the European Community was unemployed, the position being far worse among young people. Many basic industries, notably steel, were in difficulties and there were growing pressures for protection. The plight of the developing countries was far worse. 'High interest rates, falling commodity prices and diminishing export markets are imposing intolerable balance of payments strains and compel severe adjustments which are both economically painful and politically destabilising.' These difficulties threatened not only the countries concerned but also the fabric of the world's economic and financial system.

Mr Pym stressed the urgency to consider what part the Community could play in helping the world out of recession. The total value of Community production now virtually equalled that of the United States, and, more important, its imports were 50 per cent higher than those of the United States. The significance of economic developments in Europe for the rest of the world was thus very obvious. 'But to realise this potential we must act together, our policies must be consistent, and we cannot afford to be divided by internal disputes. We need to think imaginatively at Community level about how recovery can be nurtured, how we can sustain the battle against inflation – a battle we are winning – and how we can best resist the growing pressures in favour of protectionism.' The ministerial meeting of the General Agreement on Tariffs and Trade later in 1982 and the 1983 meeting of the United Nations Conference on Trade and Development would be important occasions to reaffirm the commitment to an open world trading system and to help maintain the dialogue with the developing countries.

On global economic negotiations Mr Pym said that the positions of the various parties were by no means totally irreconcilable: 'It is of course necessary that the responsibilities and effectiveness of the international financial institutions should be maintained .... But this is in the interests of the developing countries no less than the developed, so this should not be a matter of dispute.' The texts which had emerged after the Versailles economic summit (see pp 201-3) met the essentials of what the developed and developing countries had hoped for at the 1981 Mexico meeting at Cancun (see pp 329-30, 1981) and Mr Pym hoped that the negotiations would start without further delay.

Referring to Britain's £1,000 million aid programme in the current financial year, Mr Pym said: 'The British Government will continue to make available the levels of development assistance which are within its means .... This aid is concentrated mainly on the poorer countries and I am convinced that this represents a sensible and effective allocation of our resources. At the same time, Britain is the largest channel of private financial flows to developing countries after the United States, and these will continue to play a distinct and valuable role in economic development.'

Lebanon

Britain and its partners in the European Community have strongly condemned the massacre in mid-September of Palestinian refugees and other civilians in the Sabra and Chatila camps in west Beirut. The massacre followed the departure from Beirut on 14 September of the last members of the multinational force which had assisted in supervising the withdrawal of the Palestine Liberation Organisation forces from the city, the murder of President-elect Bashir Gemayel and the occupation of parts of the city by Israeli troops. In the United Nations, Britain supported Security Council resolutions condemning Mr Gemayel's murder, the Israeli advance and the massacre, and calling for the immediate withdrawal of Israeli forces from the city. The Community has also called for the earliest possible with-

drawal from Lebanon of all foreign forces unauthorised by the Lebanese Government.

Israeli Advance into West Beirut

On 15 September Israel moved its troops into west Beirut, describing its action as a precautionary move designed to 'prevent the danger of violence, bloodshed and anarchy' in the aftermath of President-elect Bashir Gemayel's murder (see p 285).[1] On the same day the United States State Department, which saw the Israeli advance as a 'clear violation' of the ceasefire agreement negotiated by its special envoy Mr Philip Habib (see p 285), called for an immediate pull-back of Israeli forces, but this was rejected by the Israeli Cabinet. Israel claimed that about 2,000 armed Palestinian fighters had remained in Beirut in breach of the evacuation agreement with the Palestine Liberation Organisation (PLO) and that the Lebanese army, divided and weakened by Mr Gemayel's murder, was unable to impose the necessary authority to ensure public order and security.

On 17 September the United Nations Security Council unanimously adopted resolution 520 condemning 'the recent Israeli incursions into Beirut in violation of the ceasefire agreements and of Security Council resolutions'. It demanded an immediate return to the positions occupied by Israel before 15 September and reiterated its call for 'strict respect for Lebanon's sovereignty, territorial integrity, unity and political independence'. In addition, it reaffirmed resolutions 512 and 513 (see p 244) which called for respect for the rights of the civilian population without any discrimination and repudiated all acts of violence against them. The resolution also expressed support for the efforts of the Secretary-General to implement resolution 516 (concerning the deployment of United Nations observers in and around Beirut), requesting all parties concerned to co-operate fully in its application.

British View

Speaking in support of resolution 520, Britain's Permanent Representative at the United Nations, Sir John Thomson, said that after the success of Mr Habib's efforts in negotiating an agreement and the 'exemplary achievement' of the multinational force, Britain had hoped that progress would have been made towards the restoration of peace in Lebanon and the re-establishment of the Lebanese Government's authority throughout its territory. This hope of peaceful recovery had been violently interrupted 'first by the shocking assassination of Lebanon's President-elect, Mr Bashir Gemayel, and subsequently by Israel's military thrust into west Beirut and the resumption of conflict there'. The British Government deplored the murder of a man 'who since his election had committed himself to the search for peace between all communities in Lebanon', hoped that all Lebanese leaders would continue to work for reconciliation and national reconstruction, and trusted that there would be 'no foreign interference with this internal and necessary process'. In addition, Britain strongly supported the Lebanese Government's initiative to restore its own authority in west and east Beirut and was 'naturally opposed' to any action which rendered this more difficult.

However, instead of showing the restraint which Britain had hoped for from all parties, Israel's forces had moved deep into west Beirut, causing further conflict and destruction. The British Government was 'greatly concerned' by this Israeli move, noting the Lebanese Government's public rejection of Israel's claim that it was acting to prevent further fighting and secure peace. Israel had 'no right to arrogate to itself the power of intervention in the capital and territory of a neighbouring state', or 'to take the law into its own hands in someone else's country'. Britain therefore supported the call for an immediate withdrawal by Israel to the positions it had occupied before 15 September. Sir John continued: 'It is incumbent on all involved in the tragic situation in Lebanon to observe the greatest restraint and exercise prudence at this time of tension. A satisfactory situation can be achieved only when Israel withdraws its forces ... and when all other foreign troops except any authorised by the Lebanese Government also withdraw.'

Sabra and Chatila Massacre

By the evening of 17 September Israeli forces had consolidated their positions, including those surrounding or overlooking the Sabra and Chatila refugee camps, and the Israeli Government responded to international criticism of its continuing occupation of the city by announcing that it would not leave Beirut until all remaining arms caches and armed terrorist forces had been rooted out.

In the course of the next two days it became apparent that Israeli military authorities had authorised Lebanese Christian militia groups to enter and search the Sabra and Chatila camps, and that several hundred civilians, including women, children and old people, had been massacred. As the extent of the massacre became known, the Lebanese Government appealed for the immediate recall to Beirut of the multinational force which had supervised the departure of the PLO. Over the next few days a strengthened multinational force of over 3,000 United States, French and Italian personnel returned to Beirut as Israel began pulling back its troops.

Israel denied responsibility for the massacre, saying that its troops had not participated in it, and rejected calls for an official inquiry. The Christian militia, it said, had been strictly briefed to avoid civilian casualties, particularly old people, women and children, and no-one could have foreseen the outcome. A Cabinet communiqué issued on 19 September stated that 'all direct or implicit accusations that the Israeli Defence Forces bear any blame whatsoever for this human tragedy ... are entirely baseless and without foundation. The Government of Israel rejects them with the contempt they deserve.'

However, amid mounting protests from abroad and within Israel itself, including a call by Israel's President Yitzhak Navon for an inquiry by 'reliable and independent men', the Government agreed on

[1]Mr Amin Gemayel, brother of Bashir Gemayel, was elected President on 21 September and took office on 23 September.

28 September to set up a full judicial commission of inquiry under the Chief Justice of the Supreme Court. Israel's Prime Minister, Mr Menachem Begin, appearing before the Knesset defence and foreign affairs committee on 29 September, said that as Prime Minister he shouldered responsibility for every decision made by any holder of national authority.

British Reaction

In a statement made in Tokyo on 19 September at the start of her Far East tour (see p 319) Britain's Prime Minister, Mrs Margaret Thatcher, referred to the Beirut massacre as an act of 'sheer barbarism which must bring total condemnation on its perpetrators'. On the same day the Foreign and Commonwealth Secretary, Mr Francis Pym, said in a radio interview that his reaction was one of 'absolute horror', adding that it was 'impossible to justify action of that kind on any basis'. The Israelis had ignored all calls to withdraw and the result had been 'an absolute disaster'. On the massacre, Mr Pym said that the Israelis had gone into west Beirut 'ostensibly to stop further loss of life' but the reverse had happened. 'The fact is that they did let the Christian militia men into the camps and I think on that basis one could expect some horrifying results. So at the very best you could say that it was an incompetent act.' He would, however, want to be 'absolutely sure of the facts' before making any final judgment.

Turning to the future of the Middle East, the Foreign Secretary said that the tragedy would not deflect Britain from pursuing its belief that Palestinian rights had to be taken into account in any future Middle East settlement. It had always to be borne in mind that a permanent peace had to be produced and that the United States had the major role in this. Britain therefore supported President Reagan's new initiative (see pp 285-6).

United Nations Reaction

On 19 September the United Nations Security Council unanimously adopted resolution 521 condemning the massacre and reaffirming its resolutions 512 and 513. Noting that the Government of Lebanon had agreed to the dispatch of United Nations observers to the sites of greatest human suffering and losses in and around the city, the Security Council authorised the Secretary-General as an immediate step to increase the number of observers in and around Beirut from 10 to 50, insisting that there should be no interference with their deployment and that they should have full freedom of movement. The resolution requested that the observers be deployed as rapidly as possible to ensure full protection for the civilian population, and that the Secretary-General should initiate urgent consultations, particularly with the Government of Lebanon, on additional steps which the Council might take, including the possible deployment of United Nations forces, to this end.

Speaking on behalf of Britain, Mr Marrack Goulding said on 18 September that the ruthless massacre of innocent men, women and children had aroused indignation and revulsion in Britain, where it was condemned without reservation. 'Two weeks ago there seemed at last to be hope that we might soon see a return to some measure of peace and stability in Beirut following the agreement negotiated by Mr Habib. Those hopes now seem to lie in ruins following the assassination of the President-elect of Lebanon and the subsequent invasion of west Beirut by the armed forces of Israel. Last night's tragedy has confirmed our worst fears of what the consequences of those events would be. It has also confirmed our belief that if the spiral of violence is to be stopped, a first step . . . must be the immediate withdrawal of Israel to the positions it occupied before 15 September. My delegation . . . calls upon Israel to co-operate in implementing the resolutions which have been unanimously adopted by this Council.'

European Community Statement

Foreign Ministers of the European Community meeting in Brussels issued a statement on 20 September strongly condemning the Beirut massacre. Welcoming Security Council resolution 521 (see above), they expressed their readiness to support, up to the limit of their capabilities, appropriate additional steps, including the strengthening of the United Nations observers team in Beirut and the possible deployment of United Nations or multinational forces. They strongly deplored the violation of the Habib plan and demanded the immediate withdrawal of the Israeli forces from west Beirut and the earliest possible withdrawal of all foreign forces except those authorised by the Government of Lebanon, whose authority, they said, should be fully re-established over all its national territory. Member states remained 'greatly concerned about the situation in Lebanon as a whole', strongly condemned the assassination of the President-elect and appealed to all parties to show moderation and prevent further violence.

Reaffirming solidarity with Lebanon and renewing their offer to assist in the relief and reconstruction of the country, member states said that the tragic events in Lebanon had once again demonstrated that the Middle East could enjoy true peace and lasting stability only through 'a comprehensive settlement to be concluded with the participation of all parties'. This meant that the PLO would have to be associated with negotiations.

Such a settlement, the statement continued, had to be based on the principles of security for all states in the region, including Israel's right to exist, justice for all peoples, including the right of self-determination for the Palestinians, with all that this implied, and mutual recognition by all the parties involved.

Noting that these principles were commanding increasing acceptance, the foreign ministers welcomed President Reagan's initiative, which in their view offered 'an important opportunity for peaceful progress on the Palestinian question and a step towards the reconciliation of the parties' conflicting aspirations'. They appealed to all parties to seize the present opportunity 'to initiate a process of mutual rapprochement leading towards a comprehensive peace settlement'. In this connection they underlined the importance of the

statement adopted by Arab leaders at Fez on 9 September (see p 286), which they saw as 'an expression of the unanimous will of the participants, including the PLO, to work for the achievement of a just peace in the Middle East encompassing all states in the area, including Israel'. They called for a 'similar expression of a will to peace on the part of Israel' and considered that the [recent] Israeli decision to establish eight new settlements in the occupied territories was 'a serious obstacle to peace efforts as well as illegal under international law'.

The statement concluded: 'The Ten confirm that they will continue to be active in pursuing their efforts to promote a comprehensive, just and lasting peace settlement. In this context they will maintain and expand their contacts with all parties.'

Prime Minister's Visit to Japan, China and Hong Kong

In September the Prime Minister, Mrs Margaret Thatcher, made official visits to Japan, the People's Republic of China and Hong Kong. During talks in Japan, Mrs Thatcher and Japanese government ministers reviewed Anglo-Japanese trade relations and the imbalance of trade between Japan and Britain and other Western industrialised countries. In meetings with the Chinese Prime Minister, Mr Zhao Ziyang, and the Vice-Chairman of the Chinese Communist Party, Mr Deng Xiaoping, Mrs Thatcher discussed British-Chinese relations, including the future of Hong Kong, the development of trade links, and a number of international questions. Both countries agreed to enter into talks with the common aim of maintaining Hong Kong's stability and prosperity. In Hong Kong, the Prime Minister reaffirmed Britain's commitment to the people of the dependency.

PRIME MINISTER'S SPEECH IN JAPAN

The free flow of ideas and information, the defence of freedom and justice, and the need to preserve an open international trading system were major themes of Mrs Thatcher's speech to the Japanese Press Club on 21 September at the start of her visit. While acknowledging the existence of different British and Japanese perceptions of the world, Mrs Thatcher emphasised the fundamental interests which bound the two countries together. 'First, we both want a world of freedom and justice, for nations and individuals; second, we both want to further the system of free trade and free exchange; [and] third, we both want to improve the quality of our lives: better social and educational opportunities, better working conditions, better application of new technologies to create jobs and wealth.'

Defence of Freedom and Justice

Freedom required vigilance and a 'resolute commitment to the defence of international law and to the principle of self-determination'. Security depended on strong defences to deter and resist attack and 'the will to use them when necessary'. These principles had 'to be applied to specific, and often fast-moving situations, and to be defended by us all acting in concert'. The flashpoints of world tension, as numerous in 1982 as at any time since 1945, demanded greater consultation among friends. As a result of the Soviet Union's invasion and occupation of the independent country of Afghanistan, the suppression of liberty in Poland, the expansion of Soviet conventional and nuclear armaments, and Soviet policies of destabilisation and subversion in Africa, Latin America and Asia, countries of the North Atlantic Treaty Organisation had committed themselves to a real increase in defence expenditure and had taken the decision to modernise their intermediate-range nuclear weapons systems unless negotiations with the Soviet Union were successful in making their future deployment unnecessary (see pp 231-3). While the West was serious about the elimination of all long-range, land-based missiles capable of striking targets in Europe, the attitude of the Soviet Union gave little hope for thinking that its intentions were as constructive or as far-reaching as the West's.

The continuing Soviet threat also had implications for Japan, and Britain was concerned that Japan should be capable of defending its territory, sea lanes and other approaches. On the Middle East, the Prime Minister said that continuing instability there was a serious matter to a country like Japan which was so heavily dependent on imported energy. Britain greatly valued Japanese support for strategically placed countries like Turkey and Pakistan bordering on the Middle East and would welcome 'closer Japanese involvement in consultations over the free world's strategy in this crucial region'.

In Asia, Britain and Japan worked closely and effectively together for the same objectives of political stability and economic development. Both countries, said Mrs Thatcher, had supported the development of a strong and independent Association of South-East Asian Nations and had worked together to re-settle refugees who were the tragic victims of the policies of Vietnam.

Free Trade

Turning to the question of free trade, the Prime Minister observed that the post-war liberal trading system had benefited the whole free world. Although the temptation to interfere with the working of the system at a time of recession was great, the responsibility for maintaining free trade was shared. 'Now more than ever we must work together for a balanced and reciprocal expansion of international trade.' Yet the present imbalance of trade between Japan and her trading partners (Britain and its partners in the European Community, the United States, and other members of the Organisation for Economic Co-operation and Development and of the General Agreement on

Tariffs and Trade) could not continue 'without threatening the breakdown of the free trading system'. She welcomed measures by the Japanese Government in the past 12 months to dismantle some important barriers to trade and hoped that the Japanese market would become progressively more open to imports, especially manufactured goods.

Paying tribute to the fact that Japanese export successes came from the skill, flexibility and adaptability of Japanese industry, the Prime Minister said that while Britain was able to sell, for example, £1,700 million worth of aerospace products world-wide in 1980, only £30 million were sold in Japan; similarly, over £280 million worth of vehicle components were sold in the Federal Republic of Germany and £170 million to the United States but only £7 million to Japan. 'These figures suggest that, for whatever reason, it is harder to penetrate the Japanese market than any other in the industrialised world. If so it is surely in our mutual interest, both economic and political, to correct the situation. Any barriers to a balanced expansion of trade which may remain must be dismantled.'

Quality of Life and New Technologies

Improving the quality of life, Mrs Thatcher said, meant 'using the opportunities created by new technologies to create jobs and wealth, to extend our knowledge and widen our interests'. Investment in new processes would ultimately create employment and improve living conditions, although at first they would seem to have the opposite effect. Japan had been particularly successful 'in putting new technology to work, and in getting management and workforce to co-operate in reaping the benefits' while maintaining unemployment levels that were virtually the lowest in the world.

Britain, too, had a long and distinguished history in research and new technology 'from Newton's discovery of the force of gravity to the latest science of genetic engineering, from radar to nuclear energy, from jet engine to vertical take-off, from television to carbon fibres, from penicillin to the new electronic scanner which can detect the presence of cancer'. The new technology had created prosperity and millions of new jobs.

Recalling a theme of the Versailles economic summit – namely, the need to stress the positive features of technological change (see pp 210-3), Mrs Thatcher emphasised that a greater exchange of information between Britain and Japan was an important element in fulfilling this aim. Industrial collaboration between both countries had advanced rapidly over the past few years: for example, the advanced robot production facilities of Fujitsu-Fancu who were collaborating with the British 600 Group (a machine-tool manufacturing and engineering group of companies); the association between Fujitsu and the British computer company ICL which had increased both joint sales to third markets and the exchange of research; and the British Leyland-Honda plans to produce a jointly designed car for sale in Europe and Japan.

Stressing Britain's welcome for inward investment by foreign companies and the fact that some 30 Japanese manufacturers were now in Britain producing goods in a wide range of industries, with consequent benefit for British firms, Mrs Thatcher pointed out that these companies knew that Britain was one of the most stable countries in the world, with access to the European Community, with sound economic policies which were bringing down inflation, with good labour relations in the private sector, and with secure energy supplies.

Another form of international exchange, Mrs Thatcher said, was that of people, culture and ideas. In this area she referred in particular to the increased interest in Japanese culture in Britain during the past year and to the success of the Great Japan Exhibition in London. In Britain, Japan had become a by-word for effort, ingenuity, excellence and success, and Japanese art and design had long excited British interest and admiration.

VISIT TO THE PEOPLE'S REPUBLIC OF CHINA

On 22 September Mrs Thatcher arrived in Peking for talks with Chinese leaders, her visit to the People's Republic of China being the first one by a British Prime Minister in office. In the evening Mrs Thatcher spoke at a banquet held in her honour in the Great Hall of the People.

The Chinese Prime Minister described Mrs Thatcher's visit as a 'major event in our bilateral relations and an important indication of their progress', and expressed the hope that the development of Sino-British relations would contribute to promoting the cause of world peace.

On 26 September Mrs Thatcher visited Canton, where she witnessed the signing of a letter of intent between Cable and Wireless plc, the provincial authorities and the China Nanhai Oil Joint Service Corporation. The letter of intent covers the provision of telecommunications facilities for the whole of the offshore industry in the South China Sea and provides for the setting up of a joint venture company to build and operate the telecommunications network.

Prime Minister's Speech

The Prime Minister said that, although their political philosophies were different, understanding between Britain and China had grown enormously and that in world affairs the interests of both countries over a wide area were close. Noting that there were no magic solutions for domestic and international problems, Mrs Thatcher emphasised that peace with freedom was Britain's first principle and that to preserve that peace one had to be strong. It was an illusion to think that there was an effective alternative. 'It is weakness that attracts an aggressor, not strength. Aggression must not be allowed to pay.'

Commenting on the Chinese Government's opposition to hegemonism, Mrs Thatcher said that this was a concept understood in Europe, especially by those people in Eastern Europe who had been striving for independence for 37 years

after the second world war. 'It is because of our opposition to hegemonism that we in Europe are determined to resist military and political pressure which would erode our independence and undermine our form of government and way of life.' A retreat from unpleasant realities into comforting illusions rarely solved any problems. There were, however, two comforting realities in international affairs: the growing unity of purpose of the European Community and the fundamental strength of the North Atlantic Treaty Organisation, 'a free association of countries united not only by common political philosophies, but by the will to resist'.

Referring to the problems of developing countries, the Prime Minister said that the British Government was responsive to their economic and other concerns through the maintenance of a large aid programme (see pp 64-6) and the removal of exchange controls, thereby encouraging private investment. Britain also supported the open trading system which was to the ultimate advantage of all.

Mrs Thatcher said that links between Britain and China had multiplied in recent years (see pp 430-1, 1978, and pp 328-30, 1979). Chinese exports to Britain were increasing and the British Government wanted to see an increase in exports to China and an increase in the volume of trade. Mrs Thatcher continued: 'British industry has become much more competitive in the last year or two. It now stands ready to help China's ambitious modernisation programme especially . . . in energy, including oil and coal mining, communications, building, port construction, aviation and telecommunications, and in agricultural science and consultative services.'

HONG KONG

After discussions between Mrs Thatcher and Mr Deng Xiaoping on 24 September, the following statement was issued concerning Hong Kong: 'Today the leaders of both countries held far-reaching talks in a friendly atmosphere on the future of Hong Kong. Both leaders made clear their respective positions on this subject. They agreed to enter into talks through diplomatic channels . . . with a common aim of maintaining the stability and prosperity of Hong Kong.'

Stressing this common aim at a press conference in Hong Kong on 27 September, Mrs Thatcher reaffirmed 'the close and continuing link' between Britain and Hong Kong and the British Government's clear commitment to the people of the dependency: 'As leader of that Government what matters to me is that we discharge our moral duty to them.' The objectives of her discussions in China had been 'to further co-operation between the Chinese and British Governments and to generate confidence for the talks ahead'. In Hong Kong, her aim was 'to demonstrate Britain's commitment to the people of Hong Kong and to consult on the task which lies ahead'.

On the sovereignty of Hong Kong, Mrs Thatcher said that all the treaties relating to it – two referring to sovereignty in perpetuity and the third to the lease on the New Territories[1] – had to be taken into account. Britain had agreed to enter into talks with the Chinese Government in order to sort out problems before the end of the lease. She rejected any suggestion that the treaties were invalid and believed that an agreement could be reached which would be satisfactory to China, Britain and the people of Hong Kong.

Falkland Islands

The establishment of a development agency to effect some structural changes in the Falkland Islands' economy and to finance diversification is recommended by Lord Shackleton in an economic survey of the Islands published in September. Financial restrictions imposed on Argentina in April were revoked by Britain on 14 September.

Lord Shackleton's report[2] was welcomed in a press statement issued by the Prime Minister's Office on 13 September. Stressing the fundamental importance of obtaining the views of the Islanders, the statement said that an urgent study of the report was being made before decisions were reached on its proposals. Preliminary action on some of the proposals was already under way, notably a survey of possible sites for a new airfield, the repair and extension of Stanley airport, and the recruitment of a number of specialists, including a Development Officer, to serve in the Islands on contract.

THE SHACKLETON REPORT

Background

In late May, at an advanced stage of the British campaign to repossess the Falkland Islands (see pp 180-9) the Prime Minister, Mrs Margaret Thatcher, asked Lord Shackleton to update his 1976 economic survey of the Islands,[3] taking account of changes in the internal and world economic situation. The purpose of the 1976 survey had been to assess the development potential of the Islands, its general conclusion being that, in spite of certain major disadvantages, such as geographical location, population size and the Argentine political dimension, the Islands could continue as a viable economic community provided certain urgent problems were tackled. The most important of these were the need for

[1]The first two treaties are the Treaty of Nanking of 1842 and the Convention of Peking of 1860, under which China ceded to Britain in perpetuity the island of Hong Kong, Kowloon and Stonecutter Island; the third is the Convention of Peking of 1898, under which China leased to Britain for 99 years an area on the mainland opposite known as the New Territories. The lease ends in 1997. For further details see COI reference document *Hong Kong*, No 80/81.

[2]*Falkland Islands Economic Study 1982*. Cmnd 8653. HMSO, £7·80. ISBN 0 10 186530 9.

[3]*Economic Survey of the Falkland Islands*. Vol 1: *Resources and development potential*. Vol 2: *Strategy, recommendations and implementation*. 1976. Prepared by the Economist Intelligence Unit Ltd.

re-investment in agriculture, to stem the flow of funds from the Islands, to widen the ownership of farms, to create more job opportunities, and for a strong local government machine to initiate, assist and follow through development opportunities. Other recommendations included the extension of the permanent runway and the development of roads.

The 1976 survey concluded that: 'Economic development of the Falkland Islands on the lines we propose will ultimately depend for its success upon the degree of local commitment to the future of the Islands. By this we mean a commitment not only on the part of those who live and work in the Islands, but also by those who have investments and derive benefit from the wealth created within the Falklands.'

The Report

In his report, Lord Shackleton points out that the Islands' internal economy is almost totally dependent upon the production and export of wool and is based mostly on very large farms. Noting that the real price of wool has fallen by 25 per cent since 1976, the report states that 'the internal economy of the Falklands is in grave danger of collapsing in the next five years or so without continued support and/or development.' This predicament also stems from the fall in farm company profitability and the low level of investment by the mostly absentee-owned farming companies. In the period from 1976 to 1981 undistributed profits and dividends leaving the Islands after taxation amounted to £1·1 million, compared with the £600,000 to £700,000 re-invested by the private sector.

One of the major recommendations for action is the creation of a Falkland Islands' Development Agency to allocate development loans and grants to new enterprises, and to take up shares in and sometimes wholly own particular development enterprises and services. The Agency would be created under the administrative and financial umbrella of the British Government's Overseas Development Administration, which would provide the initial capital funds and necessary annual grant. The report suggests that a development fund should initiate and support projects in agricultural diversification and tourism.

Agriculture and Fisheries

The report recommends that 'urgent steps be taken to transfer the ownership of absentee-owned farms, with the main objective of creating as far as possible owner-occupied smaller farming units'. This programme would involve the purchase by a government agency or financial institution of shares of appropriate Falkland Islands farming companies and their immediate selling to the development agency, or their direct purchase by the agency; the formulation of a farm development plan for the Islands; the selling of farms to Falkland Islanders; and the consideration of other forms of ownership such as co-operatives or share farming. It is recommended that the purchase of all farms owned by absentee landlords should be undertaken as soon as practically feasible followed by sale to the development agency. The report recognises that an extensive system of farming will remain appropriate for part of the Falklands and that 'the pace and extent of small-farm creation will depend not only on the numbers of suitable owner-occupiers who can be found, but also on the rate at which the necessary supporting infrastructure can be provided for such a development'.

Other recommendations concerning agriculture are the introduction of farm production and improvement grants and subsidies, the expansion of the Grassland Trials Unit to improve productivity, and the introduction of rural science in the school syllabus. On fisheries the report supports a survey of shellfish fisheries around the Islands' coasts, a salmon ranching pilot scheme, the establishment of a 200-mile fisheries limit around the Islands, and the mounting of an exploratory fishing project within these limits. A 200-mile fishing limit is also recommended around South Georgia, the South Sandwich Islands and the Shag Rocks.

Communications

The report stresses that the establishment of regular civil air communications with the Islands is an absolute priority. 'Without it, little or no development would take place, the economy would decline further, and the sense of isolation would probably be unacceptable to the majority of Falkland Islanders.' Apart from military requirements, a permanent runway of not less than 8,500ft (2,590m) in length would be required so as to receive medium-haul jets direct from South American cities and DC10 aircraft from Ascension Island. On shipping, the report recommends the investigation of the potential benefits of other direct charter arrangements such as linking the Islands to the St Helena/Ascension Island shipping service. The construction of a new Stanley all-purpose jetty is supported in order to allow for the unloading of ships of up to 8-m (26-ft) draught, container handling and more efficient operation. Within the Islands the report recommends that once the road between Stanley and Darwin/Goose Green is completed, the road network should be expanded to take account of the infrastructure needs of small farm development.

Tourism

Once the external air service is established, the report says, active financial support should be made available for the development of a tourist venture, the building of a new hotel in Stanley, and the active involvement of the British Tourist Authority in promotion.

Role of Government

The report reaffirms the 1976 recommendation for a strengthening and enlargement of the government machine on the Islands. Its purpose would be to secure the effective and timely implementation of development proposals, to establish a more dynamic growth-oriented government, and to provide a local source of commercial and development expertise capable of negotiation with private commercial interests on behalf of the economic and social interests of the Islands. In

addition, the report notes, it is the function of the government to plan and co-ordinate future development efforts.

As in 1976, the report recommends the appointment of a Chief Executive reporting to the Civil Commissioner and responsible for acting as chief executive of the Falkland Islands Development Agency, directing the government departments through the Chief Secretary, drawing up development objectives, plans, priorities and budgets, planning and administering the transfer of ownership of absentee-owned farms, development expenditure and broad fiscal policy. A Development Officer would be responsible for encouraging and advising existing enterprises and seeking opportunities for the creation of new ones, investigating and developing overseas markets, advising on the allocation of development funds and assisting with negotiations with new enterprises, and initiating necessary training activities for Falkland Islanders. A Farm Management Officer would also be required to advise Islanders with newly created small farms on farm business management and to administer agricultural grants and loans.

The Garrison

Noting that a permanent large British garrison is an inevitable fact of life of the Islands, the report says that great care will need to be exercised to minimise adverse social and possibly economic impacts and to gain benefit from the opportunities provided by its presence. The report suggests that once the airfield construction and rehabilitation period is over, the Royal Engineers could assist with infrastructure developments in the Islands including road building.

Cost

On the cost of its recommendations the report says: 'There can be no avoiding the fact that the public funds required to implement the regeneration of the Falklands economy and to provide the means for investigating and to some extent realising the development potential of the Islands are quite substantial, relative to the size of the population.' It estimates the total cost of its recommendations as some £75 million, of which some £40 million would be expenditure on exploratory fishing in distant waters off the Islands and South Georgia and which, the report suggests, has a wider and longer-term significance than the development of the Islands. Excluding this project, the report estimates if all the other development possibilities came to commercial fruition, the economy could expand by some 75 to 90 per cent and generate employment for an additional 165 to 240 people by the late 1980s.

LIFTING OF FINANCIAL RESTRICTIONS

Financial restrictions imposed by Britain on Argentine residents and the Argentine Government on 3 April (see pp 106-7) were lifted on 14 September. At the same time the Argentine authorities discontinued similar restrictions against Britain, including financial restrictions on British businesses operating in Argentina. On 13 September the Treasury said that the British Government had 'repeatedly made clear its desire to remove, on a reciprocal basis, all the discriminatory economic and commercial restrictions between the United Kingdom and the Argentine imposed following the Argentine invasion of the Falkland Islands in April'. Although the Argentine authorities 'would go no further than a reciprocal lifting of discriminatory financial restrictions', Britain was looking for 'early progress on the reciprocal removal of discriminatory trade and other commercial restrictions, with a view to restoration of normal commercial and economic relations'. The embargo on the export of arms to Argentina remains, as does the ban on imports from Argentina.

ECONOMIC AND SCIENTIFIC AFFAIRS

National Income and Expenditure 1981

The oil and gas industry continued to grow rapidly in 1981 and now accounts for 5·7 per cent of gross domestic product (GDP). Other sectors which increased in relative importance were insurance, banking and finance, and professional and scientific services. GDP as a whole, however, continued to decline in real terms, falling by 2·4 per cent over the year. GDP at factor cost amounted to £211,000 million in 1981.

The National Income and Expenditure Blue Book,[1] published on 16 September, gives figures for national income, expenditure and output for each of the 11 years from 1971 to 1981, with summary tables going back to 1960.

Income

After taking account of inflation, GDP at factor cost[2] fell by 2·4 per cent between 1980 and 1981. Real national disposable income (that is, adjusted for inflation)[3] also fell but by only 0·2 per cent.

Factor incomes

Real personal disposable income fell by 2·2 per cent in 1981 (following a four-year period during which living standards had improved continuously, by 17 per cent) while total personal income, before providing for depreciation and stock appreciation, rose by 9·4 per cent at current prices. Income from employment (mainly wages and salaries) increased by 8·2 per cent, income from self-employment by 5·6 per cent, rent, dividends and net interest by 4·6 per cent and current grants from general government by 22·7 per cent. Taxes on personal income rose by 12·4 per cent and National Insurance and similar contributions by 14·8 per cent so that the increase in personal disposable income at current prices was, at 8·5 per cent, slightly less than that in personal income.

Total income of companies rose by 7·9 per cent between 1980 and 1981. Gross trading profits rose by 2·1 per cent before allowing for stock appreciation and by 4·4 per cent after allowing for stock appreciation. Rent and non-trading income increased by 13 per cent and income from abroad by 24·9 per cent. Gross trading profits of North Sea oil companies, after allowing for stock appreciation, rose by 36·8 per cent (partly as a result of an increase of 12 per cent in the volume of North Sea oil produced and sold in 1981) but those of other industrial and commercial companies fell by 1·5 per cent. The gross trading surplus of public corporations, net of stock appreciation, rose by 18·1 per cent between 1980 and 1981 and, as a proportion of GDP (income-based estimate), from 3 per cent to 3·2 per cent. The share of company profits, net of stock appreciation, in GDP (income-based estimate) fell from 11·5 per cent in 1980 to 10·7 per cent in 1981, continuing its fall from the high levels of the 1960s.

Expenditure

Total final expenditure at market prices fell by 1·6 per cent in real terms between 1980 and 1981. Consumers' expenditure and final consumption of general government both rose slightly but gross domestic fixed investment and exports both fell – by 8·2 per cent and 1·9 per cent respectively.

Within a virtually unchanged total volume of consumers' expenditure there were changes in spending on individual components. Consumers' expenditure abroad rose in real terms by 7·6 per cent; spending on alcoholic drink fell by 2·8 per cent, on tobacco by 7·2 per cent and on catering (meals and accommodation) by 7·8 per cent. Over the longer period, the proportion of consumers' expenditure devoted to food fell from 20·2 per cent in 1971 to 17·2 per cent in 1981, a normal trend during periods of generally rising incomes. Expenditure on tobacco fell from 4·4 per cent to 3·5 per cent of the total and was lower in volume in 1981 than in 1971.

General government expenditure on goods and services fell in real terms by 3 per cent in 1981, the fall being concentrated on capital expenditure. The National Health Service, defence and education each accounted for between 21 per cent and 23 per cent of total final consumption of general

[1] *National Income and Expenditure 1982 Edition.* HMSO, £13·50. ISBN 0 11 620010 3.

[2] The total net value received by producers for the goods and services produced after deduction of indirect taxes or similar charges. (GDP is here a simple average of three estimates based on expenditure, income and output data.)

[3] Real national disposable income is a measure of the value of the goods and services available to the nation and is calculated by adjusting GDP at market prices for changes in both the terms of trade, which express the price of exports in relation to that of imports, and in net earnings and transfers from abroad.

government, with expenditure on the National Health Service rising in volume by 2·4 per cent in 1981.

Output (at Constant Prices)

The overall reduction of 2·4 per cent between 1980 and 1981 in the volume of goods and services produced reflected a 5·1 per cent fall in industrial production but only a slight decline in the output of other sectors. Within industrial production, manufacturing output fell by 6·3 per cent in 1981 but the rate of decline was less than it had been in 1980. Output of the mining and quarrying industries rose by 6·2 per cent, a much more rapid rate of growth than in 1980, but that of the construction industry fell by 11·5 per cent. In services, output increased in communications and in insurance, banking and finance but fell in transport and in miscellaneous services.

Over the period 1971 to 1981 the share of manufacturing in GDP at factor cost fell from 31·7 per cent to 23·7 per cent while over the same period that of petroleum and natural gas grew from practically nil to 5·7 per cent. The proportions of GDP accounted for by insurance, banking and finance and by professional and scientific services rose from 7·3 per cent to 9·1 per cent and from 10·2 per cent to 13·5 per cent respectively.

Investment

The total volume of domestic fixed investment fell by 8·2 per cent in 1981, with investment by general government falling by 28 per cent. By type of asset, investment in dwellings and in vehicles fell much more sharply than that in plant and machinery and other types of investment. Between 1980 and 1981 the gross capital stock, valued at replacement cost, rose in volume by 1·9 per cent.

Trade Policy

In a major speech on trade policy, the Secretary of State for Trade, Lord Cockfield, has warned that the international community could be on the brink of a new era of world protectionism; he thought it was imperative that the ministerial meeting of the General Agreement on Tariffs and Trade (GATT) in November should demonstrate a determination to resist further protectionist measures. Britain's objectives for the meeting include establishing stronger dispute procedures, a clearer operation of safeguard procedures, a study on liberalising trade in services, a stronger understanding between GATT and developing countries, and an agreement on a draft text for discouraging the counterfeiting of goods.

Lord Cockfield delivered his speech on 20 September to the Australian British Trade Association in Sydney during a visit to Australia and New Zealand for talks on trade and other economic matters.

Secretary of State's Speech

Lord Cockfield said that it had been more than 30 years since the first Agreement had been signed by an original group of 23 countries with the objective of substantially reducing tariffs and other trade barriers.[1] The Bretton Woods Agreement in 1944 on a system of fixed exchange rates and the creation of the International Monetary Fund (IMF) had already pointed towards 'much closer world economic co-operation during the post-war years'. Taken together with other international economic institutions, such as the Organisation for Economic Co-operation and Development (OECD) and the World Bank (the International Bank for Reconstruction and Development), 'the aim was nothing short of an attempt to develop a new kind of world economic order. This would reconcile conflicting interests without resorting to trade wars, and generate a rational international division of labour which would be to everyone's benefit. For nearly three decades ... that approach succeeded triumphantly. It helped to generate unprecedented growth in developed and developing countries alike. Between 1953 and 1973 the output of OECD countries grew at an average of over 4 per cent [a year] and total world trade by nearly 8 per cent a year. Indeed between 1963 and 1973 world trade in manufactures grew by no less than 11 per cent a year and world output by 5 per cent – figures which have subsequently been more than halved following the two oil price shocks in the eight years since 1973.'

Protectionist Pressures

Lord Cockfield said that in the last 18 months the situation had continued to deteriorate, 'with world growth grinding to a virtual halt'. With unemployment rising rapidly almost everywhere, even in some of the most successful economies like the Federal Republic of Germany, 'the risks are clearly growing that we could be on the brink of a new era of world protectionism'. There were two principal reasons: first, the advent of 'the deepest and most prolonged world recession since the 1930s'; and, secondly, 'the growing problems of adjustment posed by the changing patterns of world trade'. Japan had broadened very rapidly its product range and its markets, while the newly industrialising countries had captured about 10 per cent of world exports of industrialised goods, equivalent to the impact of a second Japan. This had led to 'immense pressures for readjustment on the part of the older industrialised countries'. In Britain present high levels of unemployment were 'unquestionably partly the legacy of our failure to make the necessary structural adjust-

[1] As well as laying down agreed rules for international trade, GATT is the principal international body concerned with negotiating the reduction of trade barriers and with international trade relations. Its original agreement came into force in 1948. Some 86 countries are contracting parties to the agreement and 30 more in practice apply its rules to their commercial policy. Seven rounds of multilateral trade negotiations have been held, the most recent being the Tokyo Round of 1973-79 (see pp 156-9, 1979).

ments to our industry over a long period, while allowing inflation and labour costs to get out of line with our leading competitors'.

In recent weeks, Lord Cockfield continued, the situation had been further complicated not only by the disputes between Europe and the United States over steel and the Soviet gas pipeline (see pp 236 and 266), but also by the widespread fears of a default by countries with heavy debt burdens which they had been unable to service on time. It was not surprising, therefore, that protectionist pressures should have been growing. Sometimes countries had taken measures to protect their own industries in the face of what they regarded as unfair competition, or indeed any competition, and sometimes when they no longer had any money to pay for imports. One of the added difficulties of the current recession, compared with that of the mid-1970s, was the absence of the earlier buoyancy of demand from developing countries which had helped to sustain Western exports and production. Commodity prices had fallen to their lowest level in real terms for 30 years 'and even the undisputed success story of the 1970s, the newly industrialising countries, recorded a fall in output last year after a decade of dramatic growth'.

Britain's Position

The Secretary of State then described Britain's position. He said that Britain remained 'a great trading nation with exports of goods and services accounting for nearly 30 per cent of our gross domestic product', making Britain 'one of the most export dependent countries in the industrialised world'. The British Government 'is firmly convinced that the open trading system operates to the real benefit not only of [Britain], but the world as a whole'. Yet even Britain had had to compromise and accept 'some departures from pure free trade where the contraction of major industries like textiles and cars threatened to gain a momentum which was no longer socially tolerable'. 'I believe it is imperative', Lord Cockfield continued, 'that the GATT meeting should succeed – and be widely seen to succeed – in demonstrating an unshakeable collective resolve to resist further protectionist inroads if it is to be effective in dispelling growing worries about "the phoney war" breaking out in earnest.' The recent growth of industrial support and export subsidies, as well as voluntary restraint arrangements and other non-tariff barriers, was 'clearly a major cause for concern'. Nor was it any secret that, even as a Community member, Britain continued 'to have considerable reservations about the external effects of the Common Agricultural Policy . . . and would probably support the creation of an institutional framework in the GATT to tackle the special problems of trade in agriculture'. Lord Cockfield noted that a study by GATT of the European Community's average trade-weighted tariff on industrialised goods suggested that it would fall to less than 5 per cent when the Tokyo Round reductions had been fully implemented. That was 'an important contribution to world trade since the European Community's share of international trade is substantially greater than [that of] either the United States or Japan', accounting for one-fifth of world imports in 1980.

'Besides reasserting their commitment to the basic principles of GATT', the Secretary of State said, 'ministers at the November meeting must also agree a realistic programme of future work.' Britain's objectives included 'the strengthening of existing dispute procedures, a clearer operation of safeguard procedures, a study/programme on liberalising trade in services, a stronger understanding between GATT and the developing world, and agreement on the draft text on discouraging the counterfeiting of goods'. All these aims were, he believed, 'consistent with sustaining a liberal world trading order'.

Lord Cockfield noted the likely world recovery in 1983, 'which although delayed and likely to prove less sudden and dramatic than we would perhaps wish, will be a welcome improvement nonetheless. The rapid fall in international interest rates and the general slowing of inflation should also begin to make many of the world's problems more manageable – not least for the Third World countries with high debt burdens. Ultimately, however, we all bear a heavy responsibility for ensuring that, with the world recovery finally in sight, we do not allow a new proliferation of protectionist measures to abort that recovery and probably destroy the hopes of a reduction in unemployment on which so much rests.'

Northern Ireland Economic Departments

In order to tackle the economic problems of Northern Ireland more effectively, the Government has reduced the number of economic departments in the Province and, in a reorganisation of arrangements for supporting industrial development, has created an advisory body, the Industrial Development Board.

The reorganisation of economic departments in Northern Ireland follows a review of them which was begun in 1981 (see p 309, 1981). Four of the previous departments have been reduced to two, mainly by amalgamation; the Department of Agriculture and the Local Enterprise Development Unit, however, retain their identities.

Department of Finance and Personnel

A new Department of Finance and Personnel came into being on 1 April 1982 as a result of the merger of the supervisory functions of the former Department of Finance and the Department of the Civil Service, and the transfer of certain of their administrative functions to other Northern Ireland departments.

Department of Economic Development

A new Department of Economic Development, which came into being on 6 September, amalgamates the functions of the former Department of

Commerce and the Department of Manpower Services. The new Department is therefore responsible for the promotion of industrial development, the Government's relationship with manufacturing industry and commerce, tourism, the energy industries and mineral exploitation, and manpower questions (including industrial training, the employment and careers services and the new youth training programme). Responsibility for the promotion of industrial development (formerly shared between the Department of Commerce and the Northern Ireland Development Agency, which has also been abolished) is placed in the hands of a new entity which brings together a non-departmental advisory body and an executive staff of civil servants within the new Department (see below).

Industrial Development Board (IDB)

Strictly speaking, the term 'Industrial Development Board' describes a board of up to 12 members of the industrial and commercial community, chosen for their individual experience and expertise, and having the role of advising the Department of Economic Development and overseeing the work of an executive staff of civil servants. In practice, however, the term is generally understood to refer both to the 12-member board and to the executive staff; and, while technically not having an executive role itself, the 12-member board is intended by the Government to have effective decision-making powers across a broad spectrum of its work.

Describing the new arrangement in a parliamentary debate on 14 July (*Hansard*, Vol 27, No 153, cols 1127-44), the Minister of State at the Northern Ireland Office, Mr Adam Butler, said: 'Both the board and the executive will operate within a framework of broad policy prescriptions set out by Ministers. . . . On the implementation of policy, and in its application to individual requests for industrial development assistance, the board will advise the executive and oversee the executive's work. For the most part . . . the board's advice will be for action by the executive without ministers having to pronounce on it. . . . Ministers' ultimate answerability for the actions of their Departments obviously rules out any guarantee of non-intervention, but we firmly intend to give all possible weight to the commercial expertise that we are assembling among the board members.' In general, Mr Butler said, ministerial intervention would be limited to cases when either wider social factors were called into question or when particularly large sums of money were involved.

Among the safeguards in the new arrangement is the fact that the accounting officer for the IDB is the chief officer of the executive, who, as a civil servant, is answerable to Parliament for the funds for industrial development (which amount to about £90 million in the current year).

The reasons for setting up such an arrangement, Mr Butler said, stemmed from the Government's recognition that while there had to be departmental accountability to Parliament because large and often controversial sums of money were inevitably involved in industrial development assistance in Northern Ireland, 'we were aware . . . that a body with some independence from Government . . . could have advantages. We were aware that it was likely to make decisions on the foundations of hard-headed commercial judgment, that it would apply a consistent set of criteria in such decisions, that it could move more swiftly than a body encumbered by bureaucracy, and that generally it would behave in a businesslike way.'

The IDB was established on 1 September under a separate parliamentary Order from that which set up the Department of Economic Development. The Order not only brings together the various powers to assist industrial development in one statute, for the first time, but amends and extends some of the existing powers. For example, the range of circumstances in which assistance can be provided to encourage companies to undertake research and development work and in the marketing of their products is extended by the Order; and the IDB is given new powers to make agreements with other parties to develop land for industrial use (thus encouraging greater private sector involvement).

Shorter Notes

FINANCIAL FUTURES

The London International Financial Futures Exchange (LIFFE), which has been established in the Royal Exchange building in the City of London, was opened by the Governor of the Bank of England, Mr Gordon Richardson, on 30 September. Trading at LIFFE takes place in three-month euro-dollar deposits and in sterling and deutschmark currency contracts (denominations of £25,000 and DM 125,000 respectively) with other contracts to be added later. (A financial futures contract is a legally binding document for the purchase or sale of a fixed amount of a financial commodity, at a price agreed in the present, on a specified future date. All futures contracts facilitate the transfer of risk from parties that do not wish to bear it ('hedgers') to those that are prepared to bear it ('speculators'). The risk of loss – or the possibility of gain – arises from movements in prices, interest rates or exchange rates.)

LIFFE opened with 261 members, of which some 100 were banks, holding a total of 373 seats. The first batch of seats was sold at £20,000 each and the second at £30,000; they can be resold or leased. Trading, which is by open outcry, is conducted in areas known as 'pits' while transactions are cleared by the International Commodities Clearing House.

At the opening Mr Richardson said that LIFFE made possible a better allocation of resources 'by reducing the uncertainty against which companies and others have to take decisions'. He pointed out that the Bank was concerned with financial integrity, careful regulation and proper conduct in a

market such as LIFFE, the development of which it had observed from the beginning.

Sources: LIFFE press information; Bank of England press notice, 30.9.82.

SCOTTISH DEVELOPMENT AGENCY ANNUAL REPORT

A record level of investment by overseas companies in Scottish industry, amounting to £234 million in the year to 31 March 1982, was announced by the chairman of the Scottish Development Agency (SDA), Mr Robin Duthie, introducing the Agency's annual report on 16 September. This had been due in major part to the efforts of Locate in Scotland, a joint operation by the SDA and the Scottish Economic Planning Department, which had offered assistance of £21 million towards the total. It had been estimated that some 4,500 jobs would be created by this level of investment and that about 3,500 had been made secure. The number of companies investing (32) was the second highest since 1973.

A further £5·8 million of SDA investment in 1981-82 went directly into Scottish-based companies, compared with £3·9 million in the previous year. This covered 190 companies, employing 3,254 people, and involved an increasing number of small business ventures, new start-ups and management buy-outs. The increased level of investment reflected the SDA's determination to involve private sector finance, which had reached a record level of £40·7 million in the year. This meant that the private sector had contributed £7 for every SDA £1.

The SDA, which was issued with new guidelines in 1980 (see p 27, 1980), has four main strategies within its overall objective of creating economic opportunities in Scotland. These are, small business development, the promotion of new investment, the support of new technology, and the development of particular areas within Scotland.

Source: *Scottish Development Agency. Report 82*, available free from the SDA at 120 Bothwell Street, Glasgow G2 7JP, and SDA press notice, 16.9.82.

ALTERNATIVE ENERGY

The Government plans to spend between £11·5 million and £12 million on research and development on renewable energy resource projects in 1982-83. Although this represents a decrease from the estimated 1981-82 figure of £13·6 million, there are large increases, within the total, in the allocations for wind energy (from £0·9 million to £3·2 million) and solar energy (from £0·5 million to £1 million). The increase in spending on wind power arises from the decision of the Government and the North of Scotland Hydro-Electric Board to build two aerogenerators at Burgar Hill, Orkney (see p 57, 1981), while most of the funds for solar power in 1982-83 will be directed at projects designed to use the direct heat of the sun rather than the conversion of solar energy into electricity.

By contrast, there is a cut in the allocation for geothermal energy from £6·8 million to £3·7 million, chiefly owing to an expensive geothermal drilling programme during 1981-82. The Department of Energy will continue to back research into the commercial energy potential of heat contained in the earth's crust. Important work has been carried out on hot dry rocks by the Camborne School of Mines in Cornwall, and on the development of geothermal aquifers (naturally heated water) in Southampton. There will be a modest decrease in expenditure on wave energy, from £3·9 million to £3 million, following a recommendation by the Advisory Council on Research and Development for Fuel and Power that no new development work should be supported by the Department and that expenditure should be concentrated on simpler and cheaper devices.

Source: Department of Energy.

NATIONAL MARITIME INSTITUTE

The National Maritime Institute was converted into an independent non-governmental industrial research laboratory, NMI Ltd, on 1 October, in accordance with the Government's programme to privatise those activities within the public sector which it believes can be more efficiently conducted outside it.

The NMI had its origins in the ship division of the National Physical Laboratory (which for many years operated the ship-model towing tanks at Teddington, west London) and in its engineering and aerodynamics divisions (which operated wind-tunnels). These were formed into the NMI – now a major research laboratory – as a separate government establishment in 1976. The NMI uses its towing tanks, water- and wind-tunnels to carry out experimental testing in the fields of ship design, offshore structures, wind effects on buildings, and related subjects. Some of this work is for industry and some is for a number of government departments.

At the launch of the new company, the Secretary of State for Industry, Mr Patrick Jenkin, said that he took the decision to transfer the NMI to the private sector after a firm of industrial consultants had given him an encouraging report on its prospects as an independent commercial organisation. The transfer would reduce Civil Service manpower by about 300 and would also free the NMI from the constraints inherent in state ownership. The new company would be in a position to respond more quickly to market pressures and opportunities, and in its new environment Mr Jenkin expected that it would be able to attract an increasing amount of commercial work as well as continuing to serve the needs of Government.

To ensure its successful launch the assets of the NMI have been transferred to NMI Ltd, a

company limited by guarantee, which is the customary form for research associations. Staff transfer will be effected initially by seconding them from the Civil Service to the new company for up to two years. During that period NMI Ltd will arrange their new contracts of employment.

Source: Department of Industry press notice, 30.9.82.

REMOTE CONTROL TELESCOPE

Astronomers at the Royal Observatory, Edinburgh (ROE), have succeeded in making what are claimed to be the first observations in space by intercontinental remote control. The experiment, which took place on 6 September, secured an infra-red photometric measurement and a spectrophotometric scan of the star HR 8824 using the 3·8-m (12-ft) infra-red telescope (the largest telescope in the world designed specifically to make infra-red observations) on the summit of Mauna Kea, Hawaii. The operation was performed from a computer terminal at ROE, some 11,300 km (7,000 miles) away, and was the first to be carried out during initial tests of the remote observing facility, which has been under development for a year by ROE staff in Britain and Hawaii.

When fully operational, the intercontinental link will allow British astronomers to use the telescope and its standard instrumentation to carry out many kinds of observation without leaving Britain. The astronomers will be able to operate from any terminal connected to the Science and Engineering Research Council's computer network (SERCNET), including those in its Starlink network (see p 372, 1980). The remote operation also has the advantage that night-time observations in Hawaii can be carried out in normal working hours in Britain. The facility will offer a number of other advantages, including flexible use of the telescope to benefit from unusual weather conditions which are particularly suited to certain kinds of observation. The ability to participate in observing from a sea-level environment is also beneficial, since the altitude of Mauna Kea produces a marked impairment of physical and mental performance even after prolonged acclimatisation.

For the experimental observations, the ROE computer terminal was linked via the computer at ROE to the Edinburgh regional computer centre and from there via SERCNET to the SERC's Rutherford Appleton Laboratory at Chilton, Oxfordshire. Thence the link led via a 'gateway' to British Telecom's packet switching service (see pp 17-18, 1981) to the International Packet Switching Service and through a transatlantic common carrier to the United States packet switching network, Telenet. The Telenet node nearest to Mauna Kea is in Honolulu, Hawaii. From there the link leaves the packet switching networks and proceeds via leased telephone lines through the telescope's base laboratory in Hilo, Hawaii.

Source: Science and Engineering Research Council press notice, 10.9.82.

SOCIAL AND CULTURAL AFFAIRS

General Household Survey

The continuing increase in the ownership of consumer durables and the growth in home ownership are two of the features recorded in the General Household Survey for 1980, published on 16 September.[1]

Data in the General Household Survey are obtained from interviews with about 24,000 adults living in private households throughout Great Britain (that is, England, Wales and Scotland). Information is regularly produced on a number of subjects including population, housing, employment, education and health. The 1980 report also contains new information on topics such as the elderly, household burglaries and thefts, hours of work and overtime, and some aspects of drinking behaviour. A selection of information contained in the survey is given below.

Size of Households

The average size of household declined in most years in the 1970s, from 2·91 in 1971 to 2·67 in 1979, but between 1979 and 1980 there was no further fall. In 1980, 22 per cent of households consisted of one person, compared with 17 per cent in 1971, while the proportion of households with six or more people declined from 6 to 4 per cent over the decade.

Housing

The continuing growth of the owner-occupied sector was one of the most marked features of the 1970s. In 1980, 53 per cent of householders were owner occupiers – 23 per cent owning their homes outright and 30 per cent with a mortgage – compared with 49 per cent in 1971. Over the same period the proportion accounted for by tenants in private unfurnished accommodation fell from 12 to 6 per cent. In 1980 some 34 per cent of households rented homes from a local authority or new town development corporation, 3 per cent rented private furnished accommodation and the remainder rented accommodation with a job or business or from a housing association or co-operative. Of owner occupiers with a current mortgage, 79 per cent had obtained a mortgage from a building society, 12 per cent from a local authority, and less than 10 per cent from other sources, such as an insurance company (5 per cent) or bank (4 per cent).

[1]*General Household Survey 1980.* HMSO, £12·70. ISBN 0 11 690926 9.

Consumer Durables

The increase over the 1970s in household ownership of a range of consumer goods, including central heating, cars and vans, is illustrated in the table. The greatest growth in ownership occurred for items with comparatively low ownership rates in 1972, such as washing machines, refrigerators and telephones. Domestic equipment added for consideration in recent surveys includes deep freezers, dishwashers and tumble driers. Although the proportions of households with these items in 1980 were still much smaller than for other consumer durables, there has been a marked proportionate increase in ownership over the short period of their inclusion in the survey.

Burglaries from Private Households

In 1980 just over 2 per cent of households in Great Britain said that during the previous 12 months someone had entered their home without permission and had stolen or attempted to steal something. About 80 per cent of these offences were reported to the police. Since 1972, when this information was first collected in the survey, these figures have remained at about the same level.

Employment

Since the mid-1970s there has been a decrease in the economic activity rate (the proportion of the population in the labour force) of men aged 55 and over, reflecting unemployment and a trend towards early retirement. The decrease occurred particularly among men aged 60 to 64; between 1975 and 1980 the activity rate of this group fell from 84 per cent to 67 per cent. In the early 1970s the survey showed a continuation in the trend of increasing participation of married women in the labour force, characterised by growing numbers of married mothers working part-time. Data for more recent years suggest that the activity rate for married women may have stabilised; in the period 1978 to 1980 the proportion of married women aged 16 to 59 who were economically active remained at 62 per cent.

Statistics of job satisfaction were fairly stable over the period 1971 to 1980. Job satisfaction tends to be higher among women than among men, and for part-timers than full-timers. For the years 1979 and 1980 combined, 48 per cent of women said that they were very satisfied with their jobs, compared with 41 per cent of men, and the corresponding proportions for part-timers

Availability of Central Heating, Consumer Durables and Cars

	1972	1974	1976	1978	1979	1980
Per cent of households with:						
Central heating	37	43	48	52	55	57
Television:						
Colour	93	95	49	61	66	71
Black and white only			47	35	31	26
Vacuum cleaner	87	89	92	92	93	94
Refrigerator*	73	81	88	91	92	93
Deep freezer*	*na*	*na*	*na*	32	40	46
Washing machine	66	68	71	75	74	76
Tumble drier	*na*	*na*	*na*	*na*	19	22
Dishwasher	*na*	*na*	*na*	3	3	4
Telephone	42	50	54	*na*	67	72
Car or van†	52	55	56	57	57	58

na = not available.
*Fridge freezers were attributed to both the 'refrigerator' and 'deep freezer' categories in 1979 and 1980, but were excluded from deep freezers in 1978.
†Includes households with more than one car or van. In 1980, 44 per cent of households had one car or van, 12 per cent had two, and 2 per cent had three or more.

and full-timers were 52 and 42 per cent respectively.

The proportion of full-time employees usually working long hours was considerably lower among women than among men. In 1980, 6 per cent of full-time female employees worked 46 hours or more a week, as against 34 per cent of male employees. Among full-time male employees, both managers and foremen tended to work longer hours than other socio-economic groups, and over half of men employed in transport and communications worked 46 hours or more a week. The majority of men working long hours normally did some paid overtime. Among full-time male employees aged 16 to 64 in 1980, 38 per cent usually worked paid overtime each week, of whom two-thirds considered that they had to rely on overtime to raise their pay to a reasonable amount. In general, manual workers were more likely than non-manual workers both to do paid overtime and to say that they relied on overtime pay.

Education

Combined data for 1979 and 1980 show that 18 per cent of the labour force aged 25 to 69 had received full-time education after leaving school and that 15 per cent had a qualification above General Certificate of Education (GCE) Advanced ('A') level standard. There have been some noticeable changes in the levels of qualification attained in the last decade. The proportion of economically active people aged 25 to 69 with at least GCE Ordinary ('O') level standard rose among men from 25 per cent for the years 1971 and 1972 (on average) to 36 per cent for 1979 and 1980 combined, and among women from 18 to 26 per cent over this period, the same relative increase for both sexes.

Cigarette Smoking

The prevalence of cigarette smoking has continued to decline among men, but not among women. Between 1978 and 1980 the prevalence fell from 45 to 42 per cent of males over 16, but remained at 37 per cent of women. Over the period 1972 to 1980 the proportion of smokers in all age groups fell, with a particularly marked and consistent decline among men aged 16-24, so that by 1980 there was little difference between the proportions of young men and young women who smoked cigarettes (38 and 36 per cent respectively). Prevalence and consumption per smoker continues to be lower than average among the young and the elderly for both men and women.

Drinking

There was a smaller proportion of heavy drinkers among the men interviewed in 1980, when 23 per cent were classified as heavy drinkers (compared with 2 per cent of women), than among those interviewed in 1978, when 25 per cent were in this category. Although there was a slight increase in the proportion of men who were frequent light drinkers (to 37 per cent), the figures, in general, indicate a slight lowering of alcohol consumption among men over the period and slightly higher consumption among women.

The Elderly

A new series of questions addressed to those aged 65 and over was included in the survey at the request of the Department of Health and Social Security, with the aim of providing up-to-date information about elderly people living in private households. At least 70 per cent of elderly people lived in households in which there was nobody under the age of 65, one-third living alone and a slightly higher proportion just with their spouse who was also elderly. Of those living alone, 26 per cent of men and 30 per cent of women had relatives living nearby, while a large majority (about six out of seven) of the elderly said that they saw friends or relatives at least once a week and almost one-third did so daily or nearly every day. The survey revealed some of the problems affecting the elderly. For example, over 10 per cent of the elderly were unable to go out and walk down the road on their own and just under 10 per cent were unable to manage stairs

and steps on their own, the proportions increasing sharply with age, while one-third could not do any job by themselves if it involved climbing a ladder, steps or a chair and one in seven said that they could not do the household shopping by themselves.

The Development of Sport in England

The Sports Council has set out its plan for the development of sport in England over the next ten years. The aims will be to increase the levels of participation in sport, to provide additional facilities, and to continue to encourage sporting excellence.

In the introduction to its annual report,[1] published in September, the Sports Council says that its promotion of sport in recent years has been directed by government policy as expressed in the White Paper *Sport and Recreation* (see p 379, 1975). This placed special emphasis on the need to improve sports provision both for gifted sportsmen and for people living in deprived inner urban areas. The Council's financial support had until recently favoured the development of sporting excellence, but the growth of unemployment and the problems of the inner cities had caused it to reconsider its strategy for the future. Accordingly, the Council had launched a new strategy for the next ten years which would seek to increase its investment in facilities for the community. The Council, says the report, is convinced that sport and physical recreation can make an important contribution towards alleviating the social problems of the inner cities and of deprivation in some rural areas.

Sport in the Community

Discussing the background to the Council's new strategic plan, the report says that the aims of its previous ten-year plan had been at least partly attained. The earlier plan had proposed the establishment of new sporting facilities in every community, and new facilities for training and competition in every region. By 1981, 461 sports centres and 964 swimming pools existed in England, compared with the target figures of 759 and 857.

Participation in outdoor sport had grown from 25 to 30 per cent of the adult population between 1973 and 1980 (following larger increases in the 1960s), while the figure for indoor sport had increased from 9 to 23 per cent. The growth had been concentrated among people under 40, especially men, the better educated and those with transport. Although after 1977 participation by women and older people had grown, there were still major inequalities to overcome. The late 1980s and 1990s would bring dramatic changes in Britain's social structure and social life; the formation of many new and mostly small households, fewer people under 20 years of age, more people unemployed, and a wider range of demands for leisure activities. The Council's new strategy sought to meet these changing needs and would concentrate on certain selected targets.

The strategy's first aim was to seek further increases in levels of participation, focusing particularly on people in the age-ranges from 13 to 24 and 45 to 59. The aim would be pursued through 20 selected sports, including basketball, judo, gymnastics, cricket, netball, tennis, bowls and table-tennis. The people needed to run the participation schemes and to provide the necessary leadership would often be drawn from among the unemployed, the underemployed, and the retired.

The second aim was to provide the additional facilities necessary to support the increase in participation. These would include: facilities for swimming, as the most popular indoor activity; facilities for dry indoor sports in areas, such as parts of inner cities, where there was no provision; national facilities in several sports where talented young sportsmen and women could compete or train; properly managed access to land and water for sports in the countryside; and improved pitches and facilities for the traditional team games which continue to grow in popularity.

The third theme was to encourage sporting excellence through improved coaching and administrative provision, and by continuing grant aid to the governing bodies of sport for preparation and training for, and travel to, international events.

Pilot Schemes for the Unemployed

Reviewing the past year, the report says that one aspect of the Council's efforts to increase participation in sport was the launching of three pilot schemes to provide opportunities for unemployed people and their families. The schemes, located in areas of high unemployment, are run in partnership with the Manpower Services Commission, local authorities, water authorities and other public, commercial and voluntary bodies, and offer a mixture of recreational and job opportunities. A scheme in Birmingham is helping to develop a restored canal basin, including 16 acres (6·5 hectares) of adjacent land, to provide recreational facilities. In Leicester efforts are being made to increase participation in a part of the city where there is high unemployment among young ethnic minority groups. Sport, the report says, has a vital part to play in countering the boredom and frustration of unemployment.

The Merseyside Initiative

Following the disturbances in the Toxteth district of Liverpool in April 1981, the Government offered to make £1 million available for sports facilities in the area provided that it was matched by an equal sum from private or voluntary sources (see pp 241-4, 1981). The Merseyside Initiative, as the scheme became known, was run by the Sports

[1] *The Sports Council Annual Report 1981-82.* Available from the Sports Council, 16 Upper Woburn Place, London WC1H 0QP. £1·50.

Council's regional staff, and by the end of July 1982 the sum had been raised and 22 schemes started, including improvements to grass and artificially surfaced pitches and practice areas, a new sports hall, a water adventure centre, and the supply of a large amount of sports equipment to help 69 clubs throughout Merseyside. Many further schemes are planned.

Centres of Excellence

During 1981-82 an appraisal was carried out of the Centre of Excellence scheme, set up following the publication of the White Paper in 1975. There are now 85 centres throughout the country catering for 28 sports, ranging from gymnastics to weight-lifting and badminton to orienteering. While the scheme does not suit all sports, the report says, the record of achievement is impressive: the West Midlands Canoeing Centre, for example, had produced four gold, two silver and one bronze medal winners in the World Championships, while a gold and a silver medal winner in the World Judo Championships both train at the Judo Centre of Excellence at Bracknell Sports Centre, Berkshire. As a result of the establishment of these centres, the report says, sporting excellence in Britain has received an important boost.

Among other subjects discussed in the review of the past year are sport and disabled people, specialist sports facilities, national sports centres, drugs in sport and international sports administration.

DOCUMENTATION

Government and Administration

Efficiency and Effectiveness in the Civil Service. This White Paper announces further measures to improve Civil Service management, giving details of an initiative designed to ensure higher standards of financial management throughout the Service. Cmnd 8616. HMSO, £3·40. ISBN 0 10 186160 5.

External Affairs and Defence

Ministry of Defence Organisation and Procurement. Observations presented by the Secretary of State for Defence on the Second Report from the House of Commons Defence Committee (published in July 1982). Cmnd 8678. HMSO, £1·25. ISBN 0 10 186780 8.

Developments in the European Community January to June 1982. Cmnd 8669. HMSO, £3·40. ISBN 0 10 186690 9.

Exchange of Notes between . . . Britain . . . and the Director General of the Multinational Force and Observers in accordance with the Protocol between . . . Egypt and . . . Israel signed on 3 August 1981. (The agreement entered into force on 21 April 1982; see pp 361-2, 1981, and 156-7, 1982.) Cmnd 8646. HMSO, £2·55. ISBN 0 10 186460 4.

Falkland Islands Economic Study 1982 (see p 321). Cmnd 8653. HMSO, £7·80. ISBN 0 10 186530 9.

Britain and the Latin American Liberation Movements. COI, No 184/82.

The Antarctic Treaty. Includes the recommendations of the Tenth and Eleventh Consultative Meetings (1979 and 1981) and the reports of the Second Special Consultative Meeting (1978 and 1980) and the Third Special Consultative Meeting (1981). Cmnd 8652. HMSO, £4·20. ISBN 0 10 186520 1.

Economic and Scientific Affairs

National Income and Expenditure 1982 Edition (see p 324). HMSO, £13·50. ISBN 0 11 620010 3.

Insurance Business Annual Report 1981. HMSO, £4·25. ISBN 0 11 512492 6.

Voluntary Organisations and the Manpower Services Commission Special Programmes. Prepared by a joint Manpower Services Commission and voluntary organisations working party. Available free from the Commission, 166 High Holborn, London WC1V 6PF.

Transport Kills: A Study of Fatal Accidents in Industry 1978-1980. A report by the Factory Inspectorate of the Health and Safety Executive. HMSO, £6. ISBN 0 11 883659 5.

Industry Act 1972: Annual Report by the Secretaries of State for Industry, Scotland and Wales for the year ended 31 March 1982. HMSO, £8·10. ISBN 0 10 250382 6.

Scottish Development Agency. Report 82 (see p 328). Available free from the Agency, 120 Bothwell Street, Glasgow G2 7JP.

Government Support for Trade and Industry in Northern Ireland. Seventh Report from the House of Commons Industry and Trade Committee. Together with the proceedings of the Committee relating to the report, the Minutes of Evidence and Appendices. HMSO, £6·50. ISBN 0 10 250082 7.

United Kingdom Atomic Energy Authority Annual Report 1981-82. Available from HMSO, £2·50. ISBN 0 7058 0506 9.

Research and Development. Expenditure by central government on research and development in Britain in 1979-80 totalled some £2,500 million (4 per cent of total government expenditure), according to an article in the August 1982 issue of *Economic Trends* (HMSO, £9·75, ISBN 0 11 620018 9). Two-thirds of this was channelled through organisations outside government – mainly universities, private industry and public corporations. Nearly 99 per cent of research and development took place in the field of science and technology. The latest year for which details of expenditure on industrial research and development are available is 1978 (see p 284, 1980).

Third Report of the Genetic Manipulation Advisory Group. Cmnd 8665. HMSO, £7·75. ISBN 0 10 186650 X.

British Standards Institution. Annual Report 1981 to 1982. Available free from the BSI, 2 Park Street, London W1A 2BS.

Social and Cultural Affairs

General Household Survey 1980 (see p 330). HMSO, £12·70. ISBN 0 11 690926 9.

Britain's Ethnic Minorities. COI, No 155/RP/82.

Prison Statistics England and Wales 1981. Cmnd 8654. HMSO, £11·60. ISBN 0 10 186450 6.

Social Security Operational Strategy: A Framework for the Future. A consultative document which puts forward government plans for modernising the administration of social security. It proposes the creation of a national network of computer centres linking local and central social security offices. HMSO, £2·95. ISBN 0 11 760861 0.

A brief guide to the proposals is also available free from the Department of Health and Social Security, Room 213, Ray House, 6 St Andrew Street, London EC4A 3AD.

The Sports Council Annual Report 1981–82 (see p 332). Available from the Sports Council, 16 Upper Woburn Place, London WC1H 0QP. £1·50.

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